

House Study Bill 681

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
GOVERNMENT OVERSIGHT BILL
BY CHAIRPERSON LENSING)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to student loans, including the allocation for
2 qualified student loan bonds under the private activity bond
3 allocation Act, and the finance charges, terms, and conditions
4 for consumer loans made for postsecondary education purposes,
5 and providing penalties.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
7 TLSB 6459YC 82
8 kh/rj/8

PAG LIN

1 1 Section 1. Section 7C.4A, subsection 3, Code 2007, is
1 2 amended to read as follows:
1 3 3. Sixteen percent of the state ceiling shall be allocated
1 4 to qualified student loan bonds. However, at any time during
1 5 the calendar year the governor's designee, ~~with the approval~~
~~1 6 of the Iowa student loan liquidity corporation,~~ may determine
1 7 that a lesser amount need be allocated to qualified student
1 8 loan bonds and on that date the lesser amount shall be the
1 9 amount allocated for those bonds and the excess shall be
1 10 allocated under subsection 7.
1 11 Sec. 2. Section 261.38, subsection 5, Code 2007, is
1 12 amended by striking the subsection.
1 13 Sec. 3. Section 537.2401, subsection 1, Code Supplement
1 14 2007, is amended to read as follows:
1 15 1. Except as provided with respect to a finance charge for
1 16 loans pursuant to open-end credit under section 537.2402, ~~and~~
1 17 loans secured by a certificate of title of a motor vehicle
1 18 under section 537.2403, ~~and consumer loans for postsecondary~~
~~1 19 education purposes under section 537.2404,~~ a lender may
1 20 contract for and receive a finance charge not exceeding the
1 21 maximum charge permitted by the laws of this state or of the
1 22 United States for similar lenders, and, in addition, with
1 23 respect to a consumer loan, a supervised financial
1 24 organization or a mortgage lender may contract for and receive
1 25 a finance charge, calculated according to the actuarial
1 26 method, not exceeding twenty-one percent per year on the
1 27 unpaid balance of the amount financed. Except as provided in
1 28 section 537.2403, this subsection does not prohibit a lender
1 29 from contracting for and receiving a finance charge exceeding
1 30 twenty-one percent per year on the unpaid balance of the
1 31 amount financed on consumer loans if authorized by other
1 32 provisions of the law.
1 33 Sec. 4. NEW SECTION. 537.2404 FINANCE CHARGE FOR
1 34 CONSUMER LOANS FOR POSTSECONDARY EDUCATION.
1 35 1. In making a consumer loan to an individual who is a
2 1 student or the parent or guardian of a student for purposes of
2 2 financing a postsecondary education, a creditor shall not
2 3 impose finance charges or other terms or conditions more
2 4 onerous than those extended contemporaneously to students,
2 5 parents, or guardians, as applicable, under the federally
2 6 guaranteed higher education loan programs administered by the
2 7 college student aid commission.
2 8 2. A consumer who is charged a finance charge in excess of
2 9 the limitation in this section may seek any remedies available
2 10 under section 537.5201 for an excess charge.
2 11 3. A creditor who willfully and knowingly makes charges in
2 12 excess of those permitted pursuant to subsection 1 is guilty
2 13 of a serious misdemeanor.
2 14 4. Notwithstanding section 537.1301, subsection 15,
2 15 paragraph "a", subparagraph (5), for purposes of this section,

2 16 a consumer loan includes a consumer loan in which the amount
2 17 financed is of any amount.

2 18 EXPLANATION

2 19 This bill relates to student loans.

2 20 The bill eliminates the authorization of the Iowa student
2 21 loan liquidity corporation to issue qualified student loan
2 22 bonds under the private activity bond allocation Act and to
2 23 issue bonds, notes, or other obligations under an agreement
2 24 with the college student aid commission.

2 25 Under Code section 537.5201(3), a consumer is not obligated
2 26 to pay an excess charge and is entitled to a refund of any
2 27 excess charge paid. If a consumer entitled to a refund is
2 28 refused the refund, the consumer may recover from the creditor
2 29 or other person liable in a civil action the excess charge and
2 30 a penalty of not less than \$100 or more than \$1,000. A
2 31 creditor who willfully and knowingly makes charges in excess
2 32 of those allowed under the bill is guilty of a serious
2 33 misdemeanor.

2 34 The bill amends the Iowa consumer credit code to provide
2 35 that creditors who make consumer loans, including supervised
3 1 loans, to students or parents or guardians of students for
3 2 postsecondary education purposes cannot impose finance charges
3 3 or other terms or conditions more onerous than those extended
3 4 to students or parents or guardians under the federally
3 5 guaranteed higher education loan programs administered by the
3 6 college student aid commission.

3 7 Consumer loans regulated under the Code are limited to
3 8 loans of not more than \$25,000. The bill exempts loans made
3 9 to students, parents, or guardians for postsecondary education
3 10 purposes from this limitation, making the bill's provisions
3 11 applicable to such loans of any amount.

3 12 LSB 6459YC 82

3 13 kh/rj/8